

Message Text

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AMEMBASSY MOSCOW

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LIMDIS

DEPARTMENT PASS TREASURY; MOSCOW PASS SECRETARY SIMON'S PARTY

E.O. 11652: ADS "DECLASSIFIED ON JAN. 1, 1978"

TAGS: EFIN, EEC

SUBJECT: EC PLANS FOR POSSIBLE CONSULTATIONS WITH SECRETARY SIMON

REFS: A. EC BRUSSELS 2526

B. EC BRUSSELS 2406

1. SUMMARY: THE EC FINANCE MINISTERS PLAN TO DISCUSS ON APRIL 21 THE PROPOSED INFORMAL EXCHANGE OF VIEWS BETWEEN THE EC FINANCE COUNCIL PRESIDENT AND SECRETARY SIMON. THE EC COMMISSION IS PROPOSING A LIST OF SUGGESTED TOPICS FOR SUCH A MEETING. END SUMMARY.

2. KEY COMMISSION OFFICIALS HAVE BRIEFED US IN CONFIDENCE ON BACKGROUND TO IRISH FINANCE MINISTER'S RYAN'S APRIL 4 LETTER TO SECRETARY SIMON ON BEHALF OF THE EC FINANCE MINISTERS. THE LETTER REPORTEDLY SUGGESTS THAT RYAN AND AN EC COMMISSION OFFICIAL, PRESUMABLY VICE PRESIDENT HAFERKAMP, HAVE AN EXCHANGED OF VIEWS WITH SECRETARY SIMON REGARDING THE CURRENT ECONOMIC SITUATION AND POSSIBLE COORDINATION OF US-EC ECONOMIC POLICIES. WE UNDERSTAND PRELIMINARY CONTACT WAS MADE IN PARIS ON APRIL 8 OR 9 AND THE US
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IS PREPARED TO HOLD SUCH CONSULTATIONS IF THE EC

DECIDES TO GO AHEAD.

3. COMMISSION OFFICIALS EXPLAIN THAT RYAN CHANGED HIS ORIGINAL PROPOSAL WHICH THE MINISTERS REPORTEDLY AGREED TO AT LUNCH ON MARCH 18. HE HAD SUGGESTED THAT ALL OF THE EC FINANCE MINISTERS MEET WITH SECRETARY SIMON PERHAPS BEFORE OR AFTER THE APRIL 21 FINANCE COUNCIL MEETING (SEE REFTELS). ON FURTHER REFLECTION, HOWEVER, THE FRENCH OBJECTED TO THIS PROPOSAL. FRENCH FINANCE MINISTER FOURCADE REPORTEDLY INFORMED HIS EC COLLEAGUES IN A LETTER THAT FRANCE THOUGHT IT WOULD BE UNWISE TO FORMALIZE THESE PROPOSED CONTACTS. HE REPORTEDLY ADDED THAT IT WOULD BE INAPPROPRIATE TO HOLD THESE DISCUSSIONS IN THE CONTEXT OF THE COUNCIL MEETINGS. INSTEAD, ANY ARRANGEMENTS SHOULD BE MADE ON AN INFORMAL BASIS. RYAN, AFTER CONSULTATIONS WITH THE COMMISSION AND OTHERS, DECIDED TO PROPOSE AN EXCHANGE OF VIEWS BETWEEN ONLY THE FINANCE COUNCIL'S PRESIDENT -- CURRENTLY RYAN -- AND AN EC COMMISSION OFFICIAL, AND SECRETARY SIMON. THE SCHEDULING OF THESE EXCHANGES WOULD BE FLEXIBLE, AT THE MUTUAL CONVENIENCE OF THE PARTIES CONCERNED.

4. THE COMMISSION NOW PLANS TO SEND A LETTER TO THE EC FINANCE MINISTERS OUTLINING POSSIBLE DISCUSSION TOPICS. THREE MAIN AREAS WILL BE PROPOSED:

A) AN ANALYSIS OF THE CURRENT ECONOMIC SITUATION -- THE COMMISSION IS ENCOURAGED BY THE PROSPECTIVE UPTURN IN THE US AND FRG ECONOMIES AND DOES NOT FORESEE THE NEED FOR FURTHER EXPANSIONARY MEASURES AT THIS TIME.

B) SHORT AND MEDIUM-TERM INTEREST RATES -- THE COMMISSION RECOGNIZES THE NEED TO KEEP INTEREST RATES DOWN AS A STIMULUS TO ECONOMIC EXPANSION. THE PROSPECTIVE RISE IN US SHORT-TERM RATES COULD CAUSE A REFLOW OF CAPITAL TO THE US WHICH MIGHT HAVE A DESTABILIZING IMPACT ON EC COUNTRIES WITH LARGE BALANCE OF PAYMENT DEFICITS. THUS, CLOSE COORDINATION
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IS NEEDED IN THIS AREA AND PERHAPS ARRANGEMENTS COULD BE MADE TO KEEP INTERESTED PARTIES INFORMED OF PROPOSED POLICY CHANGES.

C) FREE TRADE -- THE COMMUNITY IS CONCERNED OVER GROWING INDICATIONS THAT SOME COUNTRIES MAY RESORT TO PROTECTIONIST MEASURES TO HELP CORRECT THEIR ECONOMIC DIFFICULTIES. WITHOUT GETTING ANY SPECIFIC

PAST ACTIONS, CONSIDERATION MIGHT BE GIVEN TO WAYS
TO SHORE UP SUPPORT FOR FREE TRADE.

5. COMMISSION OFFICIALS TELL US THAT THIS EC INITIATIVE
REFLECTS AN EC DESIRE TO ESTABLISH REGULAR COMMUNICATION
CHANNELS WITH TOP US FINANCIAL AND MONETARY OFFICIALS.
THE COMMUNITY REPORTEDLY BELIEVES THE CURRENT ECONOMIC
SITUATION REQUIRES CLOSE AND FREQUENT HIGH LEVEL
CONTACTS. THE FINANCE MINISTERS GENERALLY AGREED TO
RYAN'S INITIATIVE (SEE REFTELS). RECENT COMMISSION
SOUNDINGS INDICATE THAT THERE IS STILL A CONSENSUS TO
GO AHEAD WITH INFORMAL CONSULTATIONS IF THE US AGREES.
A FINAL DECISION WILL BE TAKEN BY THE FINANCE MINISTERS
AT THEIR APRIL 21 LUNCHEON. IN INITIAL DISCUSSIONS
HERE, THE GERMANS OBJECTED TO DISCUSSING THIS PROPOSAL
IN THE COUNCIL MEETING BUT AGREED TO A DISCUSSION
AT LUNCH. RESTRICTED ATTENDANCE AT THE LUNCH HELPS
TO ASSURE CONFIDENTIALITY.

6. COMMISSION OFFICIALS INDICATE THAT RYAN'S PERSONAL
VIEWS ON DEMAND MANAGEMENT POLICIES DO NOT COINCIDE
WITH THE MAJORITY OF THE FINANCE MINISTER'S VIEWS.
THIS SHOULD NOT HINDER ANY EXCHANGE OF VIEWS, HOWEVER,
BECAUSE THE NINE WOULD AGREE TO TALKING POINTS FOR
RYAN TO USE. GREENWALD

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